

Borough Manager's Proposed 2014 Budget

Borough of Chambersburg
November 4, 2013

Per Borough Code

- Budget is balanced
- In a form that may be adopted
- Details all revenues, expenses, projects and policies
- Budget must be advertised for thirty days
- Budget and Property Tax Ordinance need to be adopted by the end of December
- Budget can always be amended during next year but Tax Ordinance is set for one year
- All other taxes are set by State law
- All other fees can be adjusted by Council as needed

Utility Funds

<u>Operating Funds</u>	<u>Revenues</u>	<u>Expenses</u>
Electric Operating	\$32,181,800	\$31,574,605
Gas Operating	\$8,981,200	\$8,970,045
Sewer Operating	\$5,814,800	\$5,222,835
Water Operating	\$5,393,365	\$5,393,365
Sanitation Operating	\$2,718,400	\$2,527,335

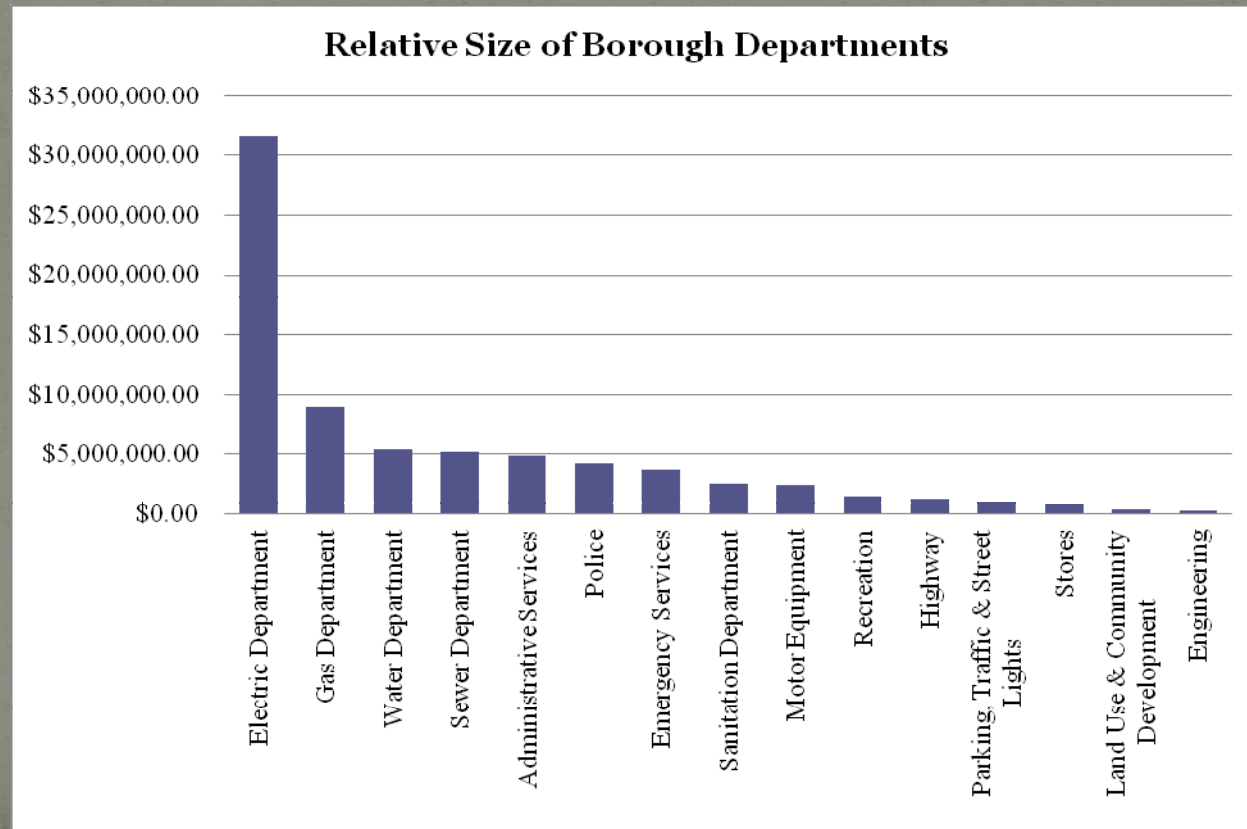
- Budgets are balanced
- Water is higher than usual as it is paying off a loan
- Each is reserving money for capital improvements
- No new personnel

Utility Rates

- **Electric:** Lower rates 5% again in 2014 (Just lowered 10% in 2013)
 - Effectively, each residential customer will see their electric bill drop from \$104.23 per month to \$99 per month during 2014 or an approximate annual savings of \$62.76 per year.
- **Water:** staff is proposing no rate increase, no increase since 2001; average residential water bill of \$15 per month.
- **Sewer:** staff is proposing no rate increase; the last rate increase was in December 2012; average residential sewer bill of \$29.50 per month.
- **Gas:** staff is proposing no rate increase; the lowest residential gas heat rate in Pennsylvania; Chambersburg residents pay average 30% lower gas bills than local private gas utilities with an average gas bill of \$720 per year.
- **Trash:** staff is proposing no rate increase; the last rate increase was in January 2013; the residential trash bill is \$14 per month.
- When combined, the average annual residential utility bill will drop in 2014 to \$2,523 per year from \$2,586 per year in 2013. Some residential users and commercial accounts would see different results.

Relative Size of the Utilities

- It is important to remember that almost all the Borough facilities, equipment, personnel, projects, and departments, are funded by utility rates



The General Fund

Not the largest fund, nor the home of most employees, but instead the fund that relies on taxes and experiences the most issues on an annual basis

Pathetic Revenue

Police Tax		Total Year		
2013	Est	\$ 3,743,000		
2012		\$ 3,780,102	Growth Rate Since 2008 3.8%	
2011		\$ 3,731,681		
2010		\$ 3,714,590		
2009		\$ 3,700,545		
2008		\$ 3,602,171		

Deed Transfer Tax		Total Year			
2013	Est	\$ 194,197			
2012		\$ 305,466	Growth Rate Since 2008 - 65%		
2011		\$ 251,816			
2010		\$ 255,899			
2009		\$ 275,141			
2008		\$ 561,432			

Earned Income Tax		Total Year			
2013	Est	\$ 1,763,954			
2012		\$ 1,715,736	Growth Rate Since 2008 1.9%		
2011		\$ 1,578,210			
2010		\$ 1,501,053			
2009		\$ 1,540,228			
2008		\$ 1,731,357			

Local Services Tax		Total Year			
2013	Est	\$ 719,062			
2012		\$ 748,586	Growth Rate Since 2008 - 6.7%		
2011		\$ 758,809			
2010		\$ 727,887			
2009		\$ 804,923			
2008		\$ 770,773			

Pathetic Revenue

Interest Income 2007 to 2014

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u> <u>Est.</u>	<u>2014</u> <u>Budget</u>
\$1,625,357	\$1,430,822	\$864,211	\$328,358	\$201,232	\$123,943	\$58,540	\$60,090

For all funds

Growth Rate = -96.41% lost income

We are forced to deal with revenue stagnation and decline beyond our control

GF Revenue Projections 2014

- There is no way that normal revenue projections can cover the cost of operating the General Fund where every cost in the General Fund rises on an annual basis
- There has been little or no organic growth in revenues since 2007
- In order to forestall any need for a tax increase, Town Council took evasive action in 2010:
 - Offered senior employees early retirement
 - Eliminated positions in police, highway and recreation
 - Moved clerical employees to the Administrative Services Department so their costs can be shared with utilities
 - Demanded employees contribute more to health insurance and pension
- These actions delayed any need to raise taxes
- The hope was that tax revenue in the General Fund would return to its historic pattern of growing naturally without a rate increase
- However, tax revenue has not returned enough to make up for the increasing cost of operations

Four Big Reasons We're Out of Time

1. The SAFER Grant will end in 2014
 - By our calculations, the SAFER Grant will transfer \$605,000 into the General Fund in 2014. Then, it will end forever. To compound the effect of the end of the SAFER Grant, Town Council may not, because of the Richard Kasher Arbitration Decision, make any change to the number of fire fighters during the current labor agreement, which runs through 2016; no layoffs.
 - It is estimated that the SAFER Grant will be fully depleted of funds in the summer 2014.

Four Big Reasons We're Out of Time

2. In 2010, the Borough lost a Police Arbitration decision

Police Wage Cost of Living Increases

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Compounded Increase</u>
4.0%	4.0%	4.0%	1.5%	0%	2.5%	3.5 %	4.0%	26%

Four Big Reasons We're Out of Time

3. In 2013, the Borough lost a Fire Arbitration decision

Fire Fighter Wage Cost of Living Increases

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Compounded Increase</u>
4.0%	4.0%	4.0% +	4.0%	4.0%	0%	2.5%	3.0%	28%
		4.0%						

Four Big Reasons We're Out of Time

4. Costs like health insurance just keep rising

Health Insurance Self-Insurance Pool Premium Costs								
<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Compounded Increase</u>
17.31%	10.25%	-20.75%	15.04%	14.54%	6.5%	9.8%	8.0% Est.	77%

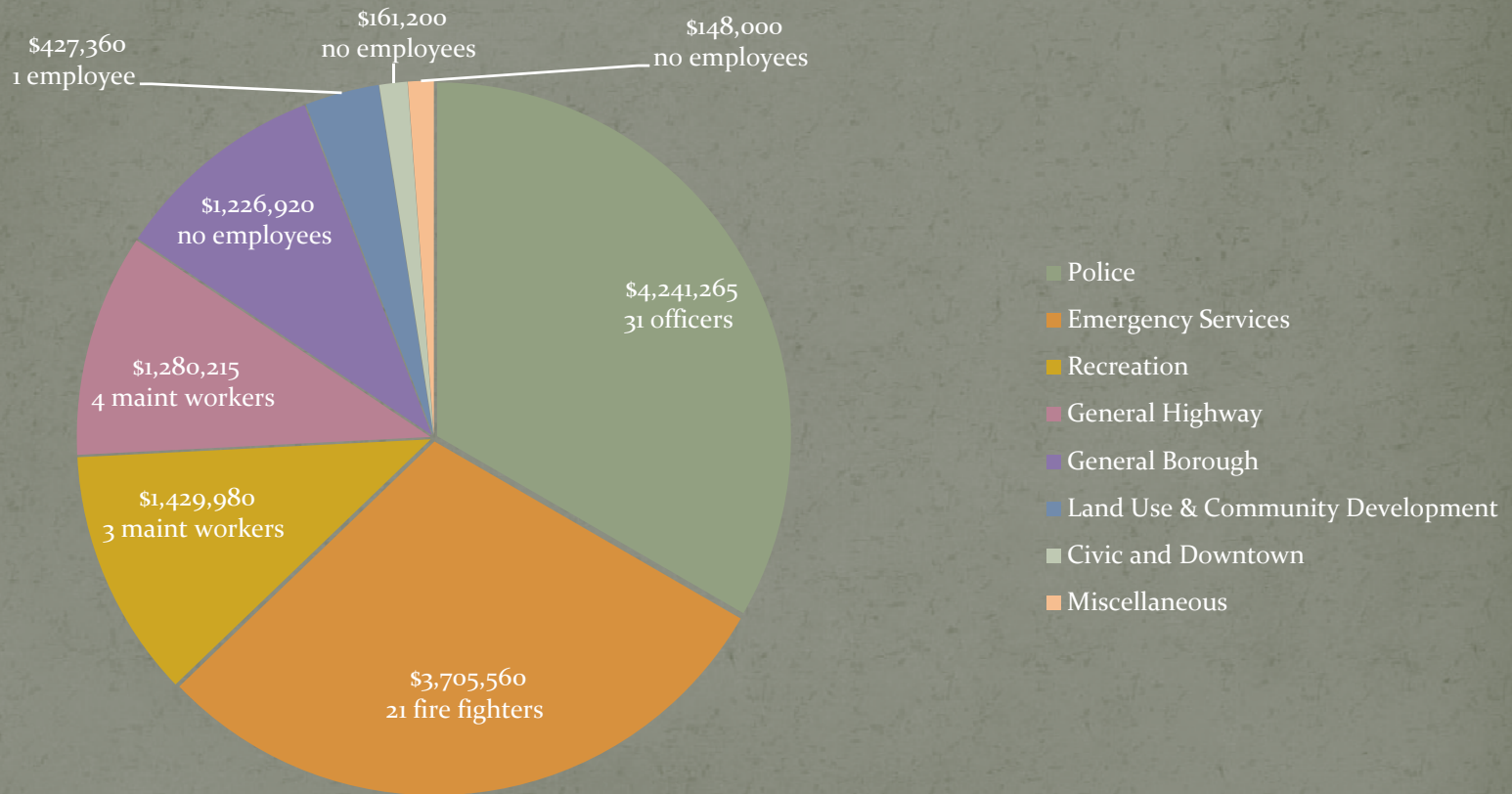
We are forced to deal with
expenditure growth and costs
beyond our control

Not criticizing certain employees...

Why am I singling out wage expenses for just Police Officers and Fire Fighters? Almost every other employee of the Borough of Chambersburg works mostly or fully for a utility fund or an internal service fund (which in turn works for a utility fund). Almost every other employee (with a handful of exceptions) has their wages and benefits paid for by utility fees. Police and fire are the single largest driving cost of tax need. That is a fact caused by peculiarities of the Chambersburg budget structure. Our other municipal workers also receive generous wages and benefits; almost entirely paid for from utility receipts and not requiring any utility rate increases.

No employees to lay off to save taxes

General Fund 2014 Proposed Expenditures and Employees Paid by Taxes



Only 60 employees of 197 total employees are paid exclusively by tax revenue

We are forced to deal with revenue stagnation and decline
beyond our control

We are forced to deal with expenditure growth and costs
beyond our control

It is beyond our control to prevent the inevitable

But we do not have to like it...

We need a Police Tax Increase in 2014

In 2014, this budget contemplates an increase in the Police Tax from 20 mil to 21 mil. This is the first such increase since 2007. In that period, revenues have been pathetic and costs have continued to increase. We have done everything possible to push this off as long as we have. The General Fund Departments (police, emergency services, general highway, and recreation) have found significant non-personnel savings. However, personnel make up the greatest part of their budgets.

We need a Police Tax Increase in 2014

Police Tax Rate	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
mil	17	17	20	20	20	20	20	20	20	21

- The average single family house inside the Borough pays \$336.20 in 2013. Their Police Tax will rise by \$16.81 per year to a total Police Tax of \$353.01
- This increase is, at this point, not optional. In the intervening years since the December 2006 tax increase, the wages and benefits of the uniform employees of the Police Department have been raised seven times without an increase in revenue. Council did everything possible to delay this increase.
- At \$353 per year, the Borough Police Tax does not even cover the full cost of the Chambersburg Police Department including the elimination of certain programs such as the valuable SET Team, which Council eliminated in 2013.
- **Even with the tax increase the Police Department budget spends \$48,565 over budget.**

You've Already Approved a Fire Tax

In 2013, Town Council has already decided to **begin the levy of a separate fire tax** to support fire department operations beginning in 2014. This decision was unavoidable given the Town Council's failure to convince an arbitration panel to reduce benefits, allow layoffs, increase employee contributions to benefits, or prevent a 13% wage increase awarded these employees. Regardless, this budget, as is required, must be balanced, and must fund wages and benefits in accord with labor agreements; those agreed to by Town Council, or those imposed upon the Borough through arbitration.

You've Already Approved a Fire Tax

- To be clear, the real estate tax will therefore be split beginning in 2014 into two parts: first, a general levy, which is used exclusively for the Police Department; and second, a fire levy, which will be used exclusively to provide fire and EMS equipment and vehicles for the Emergency Services Department. These will be the only uses of real estate taxes in the Borough budget.
- As the new fire tax is used only for equipment and vehicles, it has no direct impact on the General Fund. Proceeds from the fire tax will be given directly to the Motor Equipment Fund; the motor pool of the Borough, which is a separate fund from the General Fund. However, in the Motor Equipment Fund, all those proceeds will be used only for the Emergency Services Department motorized equipment fleet; fire apparatus and ambulances. This will, in turn help the General Fund, by allowing a rebate on its annual contribution to support fire apparatus and ambulances; so, an indirect benefit for the General Fund.
- The 2014 Fire Tax Rebate for the GF will be \$480,000

What the New Police Tax Rate and the New Fire Tax Will Cost?

- The average single family house inside the Borough pays \$336.20 in 2013. Their Police Tax will rise by \$16.81 per year to a total Police Tax of \$353.01 – This is in addition to the \$42 in new Fire Tax the average single family house inside the Borough will pay to support the Emergency Services Department motorized equipment fleet.

Average Single Family House Inside The Borough	<u>Mil</u>	<u>2013</u>	<u>Mil</u>	<u>2014</u>
Police Tax (to the General Fund)	20	\$336.20	21	\$353.01
Fire Tax (to the Motor Equipment Fund)		\$0	2.5	\$42.03
<i>Total (per year)</i>		\$336.20		\$395.04

Who Pays These Taxes?

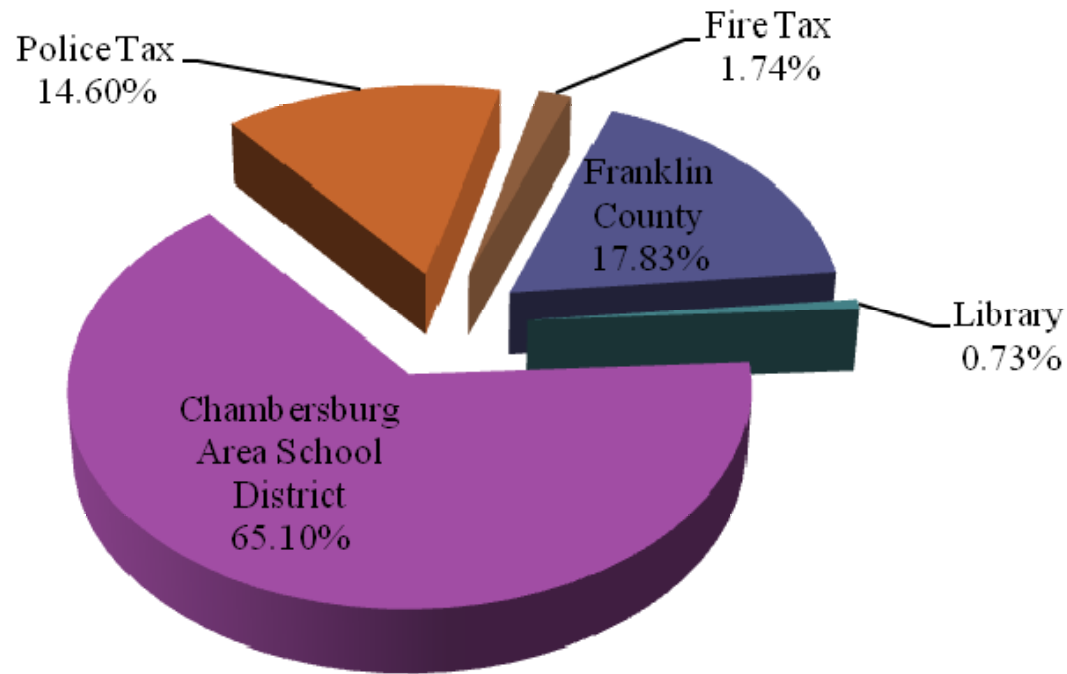
- One misconception that confuses the issue of these real estate taxes is how to translate the rate (proposed to rise to 23.5 mil) into actual dollars. In Franklin County, the “assessed value” of one’s property may be radically different from the “fair market value” of one’s property. For example, within the Borough limits, the average single family house has an assessed value of \$16,810; obviously you cannot buy a house for that little. That is because our County has not re-assessed real estate since 1961. Regardless, the average single family house, inside the Borough, will pay a full value real estate tax bill of \$395; based upon an assessed value of \$16,810 in 2014. This figure was determined by combing through the tax rolls and extracting each single family house (as opposed to commercial, industrial, or multi-family buildings). Your Borough tax bill will vary.
- Government buildings, schools, charities and no township property owners pay any Borough taxes on their property – commercial property owners may pay more. Also, for many folks, 100% of this cost is deductible on your Federal Income Taxes, returned to you in your tax refund every year.

The Real Estate Tax Burden

- Estimated 2014 Real Estate Taxes (Average Single Family House Assessed Value: \$16,809.78)

<u>2014</u>			
Franklin County	25.65 mil	\$431.17	17.83%
Library	1.05 mil	\$17.65	0.73%
Chambersburg Area School District	93.658 mil	\$1,574.37	65.10%
Police Tax	21 mil	\$353	14.6%
Fire Tax	2.5 mil	\$42.02	1.74%
Total	143.858 mil	\$2,418.22	100%

The Real Estate Tax Burden



Only 16¢ of every \$1 paid in real estate taxes will go to the Borough of Chambersburg. The balance, 84¢ will go to support the school district, the county, and the library. In fact 65¢ of every dollar goes to the Chambersburg Area School District.

Review the Handout

- Page 2
 - Pathetic General Fund Revenue
 - Police Tax Increase Needed
- Page 3
 - Police Tax Options
 - To balance the budget at 20 mil, one must remove \$189,745; not to mention the \$48,565 deficit
 - Fire Tax Already Approved
 - Fire Tax Rebate estimated at +/- \$480,000 for 2014
- Page 4
 - Value of 1 mil of real estate tax is +/- \$189,745
 - Only 16¢ of every \$1 paid in real estate taxes goes to the Borough with the remaining .84¢ going to County, CASD

Distribute the Frequently Asked Questions about Taxes

- Compiled a list of 25 frequently asked questions
- Will provide a copy on the Borough website
- List explains a lot of common misconceptions like:
 - Why do you keep raising taxes?
 - What about all the new businesses near Norland Ave?
 - How are my taxes used to pave streets?
 - How can you afford new windows in City Hall
 - And more

Next Steps

- Approve the proposed budget for advertisement
 - This is not the same as approving the budget, which can still be amended on November 18 when Council reconvenes
- Approve the Capital Improvements Plan
 - This is different than the budget as it represents merely the prioritization of projects
- Advertise the budget – website, law library, etc.
- Reconvene on November 18 to discuss the budget
- Reconvene on December 9 to approve final budget